

**No. 3/2018****Press Release on Southern Region's Economic Conditions in 2017**

The overall economic activities of the Southern region in 2017 expanded from last year. Exports and tourism were the main drivers of growth. The strong external demand supported exports to grow which contributed positively to manufacturing production continually. Farm income also rose following higher agricultural production and accelerated prices at the beginning of the year due to output shortage during the flood. However, agricultural prices declined in the second half of the year, partly impacted the purchasing power of some consumers. Private investment slightly improved whereas public spending dropped. **On the stability front**, headline inflation accelerated from last year due mainly to energy price. Meanwhile, the unemployment rate rose.

Details of the economic conditions are as follows;

The value of exports grew at a faster pace of 27.4 percent from last year, supported by strong foreign demand, in accordance with the **manufacturing production** which expanded by 6.6 percent. The continued higher oil palm output raised the production of crude palm oil (CPO). In addition, rubber-related production, including processed rubberwood and products, processed rubber, and rubber glove, also increased due to favourable external demand. Meanwhile, the production of processed seafood industry slightly rose whereas the production and exports of canned seafood industry decreased, particularly Middle East market, owing to the economic and the unrest problems.

The number of foreign tourists registered a growth of 3.9 percent from last year. An increase in the number of Chinese tourists led tourism in Andaman coast and the Gulf of Thailand to continually grow. Such expansion was a partial result of low base effect from the government's regulation on illegal tour operators at the end of last year, coupled with the increased direct flights from China. Also, Russian tourists expanded. However, tourism in Southern-border provinces remained weak following the decline in Malaysian tourists which was mainly caused by Malaysian Ringgit depreciation, but the sign of recovery was shown at the end of the year.

Agricultural production increased by 1.1 percent from last year mainly from oil palm output, thanks to the favourable weather, together with the expansion of planting areas. In contrast, rubber output decreased due to the flood at the beginning of the year, coupled with higher rainfall than last year. Vannamei shrimp output also dropped. Regarding agricultural price, it increased by 6.1 percent from last year. Thus, **farm income** rose by 7.2 percent, due mainly to price factor especially the hike of rubber price in the first half of the year as the output declined

after heavy rainfall and the flood during January 2017. Nevertheless, farm income in the second half of the year dropped as the prices continued to decline.

Private consumption indicators remained stable from last year. The spending on tourism and transportation continually expanded as well as the spending on durable goods, as a partial result of higher demand for new car models. However, the spending on semi-durable and non-durable goods showed negative growth, reflected household purchasing power that remained weak.

Private investment indicators improved from last year. It decreased only by 0.8 percent compared to the contraction of 2.4 percent in 2016. The improvement was reflected by the increased investment in the commercial car, together with an increase in imports of machinery and equipment used in processed rubber, rubber glove, and processed rubberwood industries. Conversely, investment in **construction and real estate** sectors remained low as cement sales and permitted residential construction areas in municipal zone dropped.

Public spending declined by 23.2 percent from last year which was mainly attributed to the decrease in current expenditure as the Office of the Basic Education Commission changed salary payment procedure to be the direct transfer to their offices without passing through the Southern provincial office of the Comptroller General. However, when the salary payment was excluded, public spending declined by only 4.0 percent from last year, owing to high base effect from the government stimulus measures. Meanwhile, capital expenditure also declined as the disbursement of the Department of Local Administration dropped whereas the disbursement under the provincial cluster expanded.

On the stability front, **headline inflation** stood at 1.03 percent, accelerating from 0.17 percent last year, driven mainly by higher petroleum price following global crude oil price. However, fresh food prices went down since the output rose. The **unemployment** was at 1.7 percent, increasing from 1.4 percent last year as a result of increased number of never-worked labours, whereas the number of unemployment in the agricultural sector declined.

At the end of 2017, overall **deposits**, both commercial banks and Specialised Financial Institutions (SFIs), grew by 5.1 percent from last year mainly from savings and fixed-deposit accounts. The overall **loans** expanded by 3.0 percent from last year, due to the increase in commercial bank loans especially consumer loans.

The Southern economic outlook for 2018 is projected to expand further, driven by global strength demand which will contribute positively to tourism, exports, and manufacturing sectors in which those sectors could expand. The number of Chinese tourists expected to increase will be the essential growth driver for tourism whereas the rubber glove production is likely to expand continually. However, the production of processed rubber and rubberwood tends to decelerate, following the slowdown of the Chinese economy. Meanwhile, the production of processed and canned seafood is still affected by the raw material shortage and price competitiveness issue.

Regarding private investment, it is projected to improve especially in real estate sector that will recover in the second half of 2018 as a partial result of the decline in housing backlog, coupled with the new investment projects. Moreover, government stimulus measures will have a role in driving the Southern economy. Nevertheless, the key agricultural prices, both rubber and oil palm, are likely to remain at low level.

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	2016	2017				
	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index ^r	7.4	46.1	12.6	-7.8	-17.2	7.2
Agricultural Production Index	-3.0	-8.9	6.8	1.1	4.2	1.1
Agricultural Price Index	10.7	60.4	5.4	-8.8	-20.6	6.1
- Rubber (RSS3)	7.8	98.7	16.7	-2.1	-26.9	14.9
- Oil palm (FFB)	18.0	7.9	-19.2	-34.0	-35.2	-20.9
- Shrimp (70 pc/kg)	6.4	15.8	2.7	-2.9	-0.6	3.9
Fishery Production						
- Fishery production loaded at ports	-14.7	-21.1	-1.4	-10.9	-14.7	n.a.
- Shrimp production	16.8	-30.4	5.7	-4.1	9.9	-2.6
Number of Foreign Tourists	9.3	-1.2	7.0	-1.6	12.1	3.9
Manufacturing Production Index (MPI)	0.5	0.1	0.9	12.1	13.3	6.6
Private Consumption Index (PCI)^r	1.3	-0.4	-0.2	1.3	0.7 ^e	0.4 ^e
- Car Index	4.5	5.2	29.6	21.3	39.7	23.7
- Fuel Index	5.1	-0.7	2.0	2.7	1.4 ^e	1.3 ^e
- Household Electricity Index	6.3	-2.7	-3.2	4.7	6.4 ^e	1.2 ^e
- Non-durable goods Index	1.5	-3.3	-4.1	-0.8	-0.5	-2.2
- Semi-durable goods Index	6.1	3.8	-1.4	4.4	-8.4 ^e	-0.7 ^e
- Services Index	10.9	4.7	12.2	23.2	16.3 ^e	14.0 ^e
Private Investment						
- Private Investment Index (PII)	-2.4	-2.4	0.1	0.9 ^r	-1.6	-0.8
- Promotional privileges from Board of Investment (total investment)	-23.6	48.6	-27.3	169.8	-24.0	11.1
- Registration of Business Entity (total registration)	24.4	20.1	40.1	53.8	213.7	82.5
- Construction area permitted in municipal zone (12-month moving average)	-20.3	-2.9	-1.0	-1.2	-19.0	-6.2
Fiscal Sector						
- Tax revenue	3.4	-1.5	10.6	4.8	2.8	4.5
- Total disbursement ^{1/}	6.5	-23.8	-33.2	-14.2	-21.2	-23.2
Consumer Price Index^{2/}	0.17	1.99	0.57	0.52	1.04	1.03
- Food and beverages	1.50	2.23	0.33	-0.36	0.49	0.66
- Non food and beverages	-0.69	1.85	0.76	1.10	1.38	1.27
Core Consumer Price Index (excluding raw food and energy)	0.61	0.78	0.75	0.60	0.73	0.71
Unemployment Rate	1.4	1.5	1.7	1.6	1.9	1.7
International Trade(million USD)						
- Exports	12,342.4	3,518.3	4,229.7	3,967.9	4,010.8	15,726.6
Δ% year-on-year	0.1	14.4	47.4	19.8	30.0	27.4
- Imports	9,439.3	2,431.2	2,853.0	2,439.0	2,864.6	10,587.9
Δ% year-on-year	-3.8	7.2	27.5	-0.8	15.7	12.2
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,026.4	1,055.3	1,047.3	1,049.1	1,079.0	1,079.0
Δ% year-on-year	4.7	5.1	4.3	4.9	5.1	5.1
- Deposits of commercial banks	646.2	660.8	654.8	652.1	674.1	674.1
Δ% year-on-year	3.0	3.2	1.9	2.6	4.3	4.3
- Deposits of Specialised Financial Institutions (SFIs)	380.2	394.5	392.4	397.0	404.9	404.9
Δ% year-on-year	7.7	8.4	8.6	8.7	6.5	6.5
Overall loans	1,181.9	1,196.2	1,198.3	1,210.7	1,217.3	1,217.3
Δ% year-on-year	3.3	3.5	3.9	4.8	3.0	3.0
- Loans of commercial banks	688.7	693.5	689.5	695.1	692.9	692.9
Δ% year-on-year	2.2	2.6	2.8	3.7	0.6	0.6
- Loans of Specialised Financial Institutions (SFIs)	493.2	502.7	508.8	515.5	524.4	524.4
Δ% year-on-year	5.0	4.9	5.5	6.2	6.3	6.3

Remark : e = estimated r = revised n.a. = not available

^{1/} Changing in payment system of the Office of the Basic Education Commission to directly transfer to the officers without passing through Southern Comptroller.

^{2/} Changing base year from 2011 to 2015.

Source : Bank of Thailand, Southern Region Office